

1  
2  
3  
4  
5  
6  
7  
8 **BEFORE THE**  
9 **CALIFORNIA BOARD OF ACCOUNTANCY**  
10 **DEPARTMENT OF CONSUMER AFFAIRS**  
11 **STATE OF CALIFORNIA**

12 In the Matter of the Accusation Against:

13 **STEPHEN DURLAND**

14 232A Royal Palm Way, 3rd Floor  
15 Palm Beach, Florida 33480

16 Certified Public Accountant Certificate No. 67595

17 Respondent.

Case No. AC-2013-16

18 **DEFAULT DECISION AND ORDER**

19 [Gov. Code, §11520]

20 **FINDINGS OF FACT**

21 1. On or about February 22, 2013, Complainant Patti Bowers, in her official capacity as  
22 the Executive Officer of the California Board of Accountancy, Department of Consumer Affairs,  
23 filed Accusation No. AC-2013-16 against Stephen Durland (Respondent) before the California  
24 Board of Accountancy. (Accusation attached as Exhibit A.)

25 2. On or about September 30, 1994, the California Board of Accountancy (CBA) issued  
26 Certified Public Accountant Certificate No. 67595 to Respondent. The Certified Public  
27 Accountant Certificate expired on August 31, 2002, and has not been renewed. The CBA has  
28 jurisdiction to adjudicate this case as per Business and Professions Code section 5109.

3. On or about March 7, 2013, Respondent was served by Certified and First Class Mail  
copies of the Accusation No. AC-2013-16, Statement to Respondent, Notice of Defense, Request

1 for Discovery, and Discovery Statutes (Government Code sections 11507.5, 11507.6, and  
2 11507.7) at Respondent's address of record which, pursuant to California Code of Regulations,  
3 title 16, section 3, is required to be reported and maintained with the CBA. Respondent's address  
4 of record was and is:

5 232A Royal Palm Way, 3rd Floor  
6 Palm Beach, Florida 33480.

7 4. Service of the Accusation was effective as a matter of law under the provisions of  
8 Government Code section 11505, subdivision (c) and/or Business & Professions Code section  
9 124.

10 5. On or about March 22, 2013, the first class and certified mailings of the  
11 aforementioned documents were returned by the U.S. Postal Service marked "Return to Sender,  
12 Unable to Forward". The address on the documents was the same as the address on file with the  
13 CBA.

14 6. On or about April 3, 2013, Respondent was additionally served with the  
15 aforementioned documents by Certified and First Class Mail at the following addresses identified  
16 through internet search by the CBA as potential addresses. All mailing were returned by the U.S.  
17 Postal Service marked as follows:

<u>Address</u>	<u>Date Returned</u>	<u>Postal Service Notation</u>
2415 S. Flagler Drive West Palm Beach, FL 33401	April 20, 2013	Return to Sender, Unable to Forward
277 Royal Poinciana Way, Suite 153 Palm Beach, FL 33480	May 2, 2013 (first class mailing) May, 19, 2013 (certified mailing)	Return to Sender, Unable to Forward
176 Seminole Avenue Palm Beach, FL 33480	May 2, 2013 (first class mailing) May, 19, 2013 (certified mailing)	Return to Sender, Attempted-Not Known, Unable to Forward
232A Royal Palm Way, 3rd Floor Palm Beach, FL 33480	May 19, 2013	Return to Sender, No Such Number, Unable to Forward

1 P.O. Box 1175  
2 Palm Beach, FL 33480

May 22, 2013

Return to Sender,  
Unable to Forward

3 Respondent failed to maintain an updated address with the CBA and the CBA has made  
4 attempts to serve the Respondent at the address on file and any other known addresses.

5 Respondent has not made himself available for service and therefore, has not availed himself of  
6 his right to file a notice of defense and appear at hearing.

7 7. Government Code section 11506 states, in pertinent part:

8 (c) The respondent shall be entitled to a hearing on the merits if the respondent  
9 files a notice of defense, and the notice shall be deemed a specific denial of all parts  
10 of the accusation not expressly admitted. Failure to file a notice of defense shall  
constitute a waiver of respondent's right to a hearing, but the agency in its discretion  
may nevertheless grant a hearing.

11 8. Respondent failed to file a Notice of Defense within 15 days after service upon him  
12 of the Accusation, and therefore waived his right to a hearing on the merits of Accusation No.  
13 AC-2013-16.

14 9. California Government Code section 11520 states, in pertinent part:

15 (a) If the respondent either fails to file a notice of defense or to appear at the  
16 hearing, the agency may take action based upon the respondent's express admissions  
or upon other evidence and affidavits may be used as evidence without any notice to  
17 respondent.

18 10. Pursuant to its authority under Government Code section 11520, the CBA finds  
19 Respondent is in default. The CBA will take action without further hearing and, based on the  
20 relevant evidence contained in the Default Decision Evidence Packet in this matter, as well as  
21 taking official notice of all the investigatory reports, exhibits and statements contained therein on  
22 file at the CBA's offices regarding the allegations contained in Accusation No. AC-2013-16, finds  
23 that the charges and allegations in Accusation No. AC-2013-16, are separately and severally,  
24 found to be true and correct by clear and convincing evidence.

25 11. Taking official notice of its own internal records, pursuant to Business and  
26 Professions Code section 5107, it is hereby determined that the reasonable costs for investigation  
27 of this case is \$2,351.06 and enforcement is \$1407.50 as of June 11, 2013, for a total cost of  
28 \$3,758.56.

1 DETERMINATION OF ISSUES

2 1. Based on the foregoing findings of fact, Respondent Stephen Durland has subjected  
3 his Certified Public Accountant Certificate No. 67595 to discipline.

4 2. The agency has jurisdiction to adjudicate this case by default.

5 3. The California Board of Accountancy is authorized to revoke Respondent's Certified  
6 Public Accountant Certificate based upon the following violations alleged in the Accusation  
7 which are supported by the evidence contained in the Default Decision Evidence Packet in this  
8 case.:

9 a. Business and Professions Code section 5100, subsection (a), Conviction of a Crime;

10 b. Business and Professions Code section 5100, subsection (h), Suspension or  
11 Revocation by Governmental Agency;

12 c. Business and Professions Code section 5100, subsection (l), Imposition of Discipline  
13 by the U.S. Security and Exchange Commission.

14 ORDER

15 IT IS SO ORDERED that Certified Public Accountant Certificate No. 67595, heretofore  
16 issued to Respondent Stephen Durland, is revoked.

17 Pursuant to Government Code section 11520, subdivision (c), Respondent may serve a  
18 written motion requesting that the Decision be vacated and stating the grounds relied on within  
19 seven (7) days after service of the Decision on Respondent. The agency in its discretion may  
20 vacate the Decision and grant a hearing on a showing of good cause, as defined in the statute.

21 This Decision shall become effective on August 31, 2013.

22 It is so ORDERED August 1, 2013

23 Leslie J. LeManna  
24 FOR THE CALIFORNIA BOARD OF  
25 ACCOUNTANCY  
26 DEPARTMENT OF CONSUMER AFFAIRS

27 11108162  
28 SA2012108128  
Attachment:  
Exhibit A: Accusation

# Exhibit A

Accusation

1 KAMALA D. HARRIS  
Attorney General of California  
2 JANICE K. LACHMAN  
Supervising Deputy Attorney General  
3 ANAHITA S. CRAWFORD  
Deputy Attorney General  
4 State Bar No. 209545  
1300 I Street, Suite 125  
5 P.O. Box 944255  
Sacramento, CA 94244-2550  
6 Telephone: (916) 322-8311  
Facsimile: (916) 327-8643  
7 *Attorneys for Complainant*

8 **BEFORE THE**  
**CALIFORNIA BOARD OF ACCOUNTANCY**  
9 **DEPARTMENT OF CONSUMER AFFAIRS**  
10 **STATE OF CALIFORNIA**

11 In the Matter of the Accusation Against:

Case No. AC-2013-16

12 **STEPHEN DURLAND**  
232A Royal Palm Way  
13 Palm Beach, FL 33480

**A C C U S A T I O N**

14 **Certified Public Accountant Certificate**  
15 **No. 67595**

16 Respondent.

17 Complainant alleges:

18 **PARTIES**

19 1. Patti Bowers (Complainant) brings this Accusation solely in her official  
20 capacity as the Executive Officer of the California Board of Accountancy, Department of  
21 Consumer Affairs.

22 2. On or about September 30, 1994, the California Board of Accountancy (Board),  
23 Department of Consumer Affairs issued Certified Public Accountant Certificate Number 67595 to  
24 Stephen Durland (Respondent). The certificate expired on August 31, 2002 and was not renewed.  
25 The Certificate was cancelled on September 1, 2007.

26 ///

27 ///

28 ///

1

2

## 5

6

7

1

2

5

6

7

9

0

4

5

1 crime in order to fix the degree of discipline or to determine if the conviction is  
2 substantially related to the qualifications, functions, and duties of the licensee in  
3 question.

4 As used in this section, 'license' includes 'certificate,' 'permit,'  
5 'authority,' and 'registration.'

#### 6 COST RECOVERY

7 7. Code section 5107 and section 125.3 provide, in pertinent part, that the Board  
8 may request the administrative law judge to direct a licensee found to have committed a  
9 violation or violations of the licensing act to pay a sum not to exceed the reasonable costs of the  
10 investigation and enforcement of the case.

#### 11 BACKGROUND

12 8. On or about 2005, Respondent and another individual, J.K. created Pegasus  
13 Wireless Company from a dormant shell company and Respondent assumed the role of Certified  
14 Financial Officer. Prior to 2005, Pegasus, then named Blue Industries Inc., was a failed shell  
15 company with no cash or assets. Between 2005 and 2006, Pegasus showed in press releases and  
16 Securities and Exchange Commission's filings a dramatic growth through reported acquisitions  
17 and the purchase of a 51% interest in two companies, AMAX Engineering Corporation and  
18 AMAX Information Technologies, Inc.

19 9. Between 2005 and 2008, Respondent dishonestly gained support for Pegasus  
20 causing Pegasus' shares to increase their value reaching a market capitalization of more than \$1.4  
21 billion.

22 a. On or about May 2006, Pegasus shares reached a high of \$18.60 per share.  
23 However, the value of the stock began to decline after questions arose about Pegasus' valuation.  
24 On or about September 2006, the stocks traded for less than \$1. Eventually, Pegasus' share price  
25 steadily declined to under a penny.

26 b. Between 2005 and 2008, Respondent had unrestricted Pegasus stock issued  
27 under false pretenses to family, friends, associates, and companies to conceal his control of the  
28 stock. Respondent sold the stock to the investing public or had the recipients of the stock sell the  
stock on his behalf and funnel the proceeds to him. Respondent filed documents with the  
Securities and Exchange Commission that contained false statement and omissions regarding the



1 amount of stock issued and the true reason for its issuance. Respondent also failed to file reports  
2 with the Securities and Exchange Commission disclosing the acquisition and sale of Pegasus  
3 stock he secretly controlled through his family, friends, associates, and companies.

4 10. On or about May 27, 2009, the Security and Exchange Commission filed a  
5 complaint against Respondent in case entitled *SEC v. Pegasus Wireless Corp* (Civil Action No.  
6 CV 09-2302) in the United States District Court, Northern District of California, San Francisco  
7 Division. The commission's complaint alleged, among other things that Respondent and other  
8 Pegasus Officer defrauded investors by creating backdated promissory notes memorizing a phony  
9 debt, which they used to get unrestricted shares of Pegasus stock into the hands of individuals and  
10 entities they controlled.

11 a. On or about September 29, 2010, the Securities and Exchange Commission  
12 ordered that Respondent be temporarily suspended from appearing or practicing before the  
13 commission for violating the federal securities laws within the meaning of Rule 102(e)(3)(i)(A) of  
14 the Commission's Rules of Practice.

15 11. On or about January 10, 2011, the United States Attorney filed a complaint  
16 against Respondent.

17 **FIRST CAUSE FOR DISCIPLINE**

18 **(Conviction of Crime)**

19 12. Respondent has subjected his license to disciplinary action under Code section  
20 5100 (a), in that Respondent plead guilty and was convicted of the following crimes that  
21 substantially relate to the qualifications, functions, or duties of a Certified Public Accountant:

22 13. On or about October 13, 2011, Judgment was imposed on Respondent based on  
23 his guilty plea on March 17, 2011, in the federal case entitled *United States of America v.*  
24 *Stephen Durland and Jasper Knabb*, United States District Court, Northern District of California,  
25 Case No. CR 11-009-001 JSW, to violations of section 18 U.S.C. Section 1349 (conspiracy to  
26 commit securities fraud), 1348 (securities fraud) and 15 U.S.C. Section 78m(b)(2)(A), 78m (b)(5)  
27 and 78ff, 17 C.F.R. Section 240.13b2-1 (false books and records). The circumstances of the  
28 crimes are as follows:

1 Between May 2005 through in or about February 2008, Respondent knowingly and  
2 intentionally conspired to commit securities fraud. Between May 31, 2005 to on or about April 7,  
3 2008, Respondent knowingly executed and attempted to execute a scheme and artifice to obtain  
4 by means of materially false and fraudulent pretenses, money and property in connection with the  
5 purchase and sale of a security. Between August 31, 2006 and February 5, 2008, Respondent  
6 knowingly and willfully, materially falsified and caused to be falsified books, records and  
7 accounts of Pegasus, and as further set forth in paragraphs 8-11, above.

8 **SECOND CAUSE FOR DISCIPLINE**

9 **(Suspension or Revocation by Governmental Agency)**

10 14. Respondent has subjected his license to disciplinary action under Code section  
11 5100 (h), in that on September 29, 2010, Respondent was suspended from appearing or practicing  
12 before the Securities and Exchange Commission, as set forth in paragraph 10, above.

13 **THIRD CAUSE FOR DISCIPLINE**

14 **(Imposition of Discipline by the U.S. Security and Exchange Commission)**

15 15. Respondent has subjected his license to disciplinary action under Code section  
16 5100 (l), in that Respondent was disciplined by the U.S. Securities and Exchange Commission, as  
17 set forth in paragraph 10, above.

18  
19  
20  
21  
22  
23  
24  
25  
26 ///

27 ///

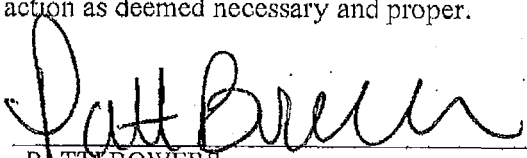
28 ///

PRAYER

**WHEREFORE**, Complainant requests that a hearing be held on the matters herein alleged, and that following the hearing, the California Board of Accountancy issue a decision:

1. Revoking, suspending or otherwise imposing discipline upon Certified Public Accountant Certificate Number 67595, issued to Stephen Durland;
2. Ordering Stephen Durland to pay the California Board of Accountancy the reasonable costs of the investigation and enforcement of this case, pursuant to Business and Professions Code sections 5107 and 125.3;
3. Taking such other and further action as deemed necessary and proper.

DATED: 2/22/2013

  
PATTY BOWERS  
Executive Officer  
California Board of Accountancy  
Department of Consumer Affairs  
State of California  
*Complainant*

SA2012108128